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Industrial Development Board

Twenty-sixth session
Vienna, 19-21 November 2002
Item 2 (a) of the provisional agenda

Programme and Budget Committee

Eighteenth session
Vienna, 24-25 September 2002
Item 3 of the provisional agenda

REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 2000-2001

Financial performance report for the biennium 2000-2001

Submitted by the Director-General

Reports on the utilization of financial resources for the biennium 2000-2001 for the regular and operational budgets.

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Introduction

1. In its conclusion 1987/19, paragraph (j), the Programme and Budget Committee requested the Director-General to submit each year to the Industrial Development Board through the Committee a clear and detailed financial performance report itemizing the utilization of financial resources. The present document presents a comparison for the biennium 2000-2001 of the budget estimates in terms of appropriations and income with actual expenditures and income. The information is provided for both the regular and operational budgets.

I. REGULAR BUDGET

A. Budget estimates for the biennium

2. The budget estimates for the biennium 2000-2001 presented in document GC.8/16 and approved by the General Conference in decision GC.8/Dec.17 consisted of appropriations for the biennium of $167,735,800 and income estimates of $34,826,200 (including cost reimbursement) on the basis of an exchange rate of US$ 1 = AS 12.90.

3. The present document thus presents the financial performance report on the basis of the programme and budgets for 2000-2001 approved in General Conference decision GC.8/Dec.17 and assessed on Member States.

4. In accordance with decision GC.8/Dec.17, appropriations and estimated income for the biennium are adjusted to take account of exchange rate variations experienced during the biennium. The application of the average exchange rate for the biennium of US$ 1 = AS 15.11385 to the revised appropriations and estimated income presented in table 1 resulted in a restatement of those items to $147,099,600 and $30,145,300, respectively.

B. Assessed contribution income for 2000-2001

5. The financial implementation of the approved programme and budgets is dependent on the actual level of cash resources available during the biennium. The source of financing of the regular budget is the assessed contributions of Member States. Assessed contributions for the biennium 2000-2001 paid to the Organization as compared with the amounts assessed in accordance with General Conference decision GC.8/Dec.17 are as follows:

	Millions of US dollars
Assessed contributions receivable	118.2[a]
Assessed contributions received	110.2
Shortfall in collections	8.0 (6.8%)

[a]See document IDB.26/2-PBC.18/3, annex III, Notes to the financial statements, note 2 (a).

C. Comparison of budget with actual expenditure and income for 2000-2001

6. A comparison of actual expenditure and income with the revised budget estimates for the biennium is presented below:

Millions of US dollars

	Revised budget estimates US$ 1 = AS 15.11385	Actuals 2000-2001	Under-utilization	%
Expenditure	147.1	134.6	12.5	8.5
Income	30.2	21.9	8.3	27.4
Net	116.9	112.7	4.2	3.6

7. Comparisons of budget estimates with actual expenditure and income by major programme and major object of expenditure are presented in tables 1 and 2 respectively. Explanations of underutilization by major programme and major object of expenditure are provided in the following paragraphs.

D. Underutilization of the budget

8. The net underutilization of the budget of $4.2 million (3.6 per cent) comprised an under-expenditure on appropriations of $12.5 million (8.5 per cent) and a shortfall in income of $8.3 million (27.4 per cent). The major factor contributing to underutilization was the lack of sufficient cash resources throughout the biennium to implement the budget due to non- or late payment of assessed contributions. Savings resulted from delayed recruitment of staff and reduction in expenditure levels under travel, language and documentation services, printing, general operating expenses and other items mainly relating to joint and common services.

E. Financial implementation by major programme

9. The underutilization of the budget in most of the major programmes was mainly due to the lack of sufficient cash resources, as described in paragraph 8 above. Other savings resulted from UNIDO's initiative to reduce costs. The savings of $0.8 million (16.9 per cent) achieved under Major Programme A (Governing Bodies) resulted mainly from savings under staff costs in the Secretariat and the reduced volume of documentation and related printing costs. The overrun of $0.6 million (6.4 per cent) under Major Programme B (General Management) was attributable mainly to increased staff costs that were partly offset by savings in general operating costs of the UNIDO offices in New York and Geneva and public information activities. The underutilization of $2.5 million (7.1 per cent) in Major Programme C (Strengthening of Industrial Capacities) was mainly due to higher-than-budgeted vacancy rates

under established posts and underexpenditure under Industrial Development Decade for Africa (IDDA) supplementary activities and Regular Programme of Technical Cooperation, that were redeployed to other programmes, ad hoc expert group meetings, travel, printing, library and language and documentation services. The level of overrun reached in Major Programme D (Cleaner and Sustainable Industrial Development) amounts to $0.7 million (4.6 per cent) and resulted mainly from the redeployment of technical cooperation funds and IDDA supplementary activities from other programmes, partly offset by savings under travel, printing and language and documentation services. The underutilization of $2.7 million (10.7 per cent) in Major Programme E (Regional Programme) was mainly due to a large number of vacant posts in the field and underutilization of international travel of UNIDO Representatives and language and documentation services. Furthermore, more than half of the budgeted funds for IDDA supplementary funds as well as technical cooperation funds were redeployed to other programmes. The excess of expenditure over approved budget estimates under Major Programme F (Administration) mainly resulted from an increase in staff costs due to full incumbency of posts as compared with the budgeted vacancy rate of 5 per cent under the Professional and 3 per cent under the General Service category and due to higher actual salary and related common staff costs as compared with the budget standard rates. This latter symptom is a consequence of the higher-than-average age of administrative staff. Furthermore, operational continuity could not have been ensured if posts were left vacant since the repeated budget reductions downsized Administration to a level where there was no reserve capacity left to provide the required services to all stakeholders. The increased staff costs were partly offset by savings under joint and common services provided by other organizations resulting from the downsizing of UNIDO.

10. The underutilization of $9.1 million (25.9 per cent) in Major Programme G (Buildings Management) was mainly due to cost-saving measures resulting in a higher staff vacancy rate and savings under general operating costs, supplies and materials, acquisition of furniture and equipment and the essential requirements programme.

11. Reductions in expenditure in Major Programme G (Buildings Management) had a direct impact on cost reimbursement income. The reduced level of income under Major Programme E (Regional Programme) reflected the lower-than-anticipated financial contributions of Governments to the costs of UNIDO field offices.

F. Financial implementation by major object of expenditure

12. The underutilization of budgeted staff costs of $2.2 million (2.6 per cent) comprises:

	Millions of US dollars
Salaries	2.8
Common staff costs	(1.8)
Ad hoc expert group meetings	1.5
Other	(0.3)
Total underutilization	2.2

13. The underutilization of budgeted salary costs was mainly due to the higher-than-budgeted vacancy factors for Professional and General Service posts, which were partly offset by variations between actual and standard salary costs.

14. The following cost reduction measures were taken to reduce cash outflow and achieve expenditure reductions due to inadequate levels of cash resources:

(a) Restriction of external recruitment to posts with specialized expertise in priority substantive programmes or essential managerial functions;

(b) Substantially reduced utilization of ad hoc expert group meeting funds of 80 per cent of the appropriations;

(c) Restrictions on hiring of general temporary assistance staff;

(d) Cutbacks in documentation, reducing translation and related services together with printing costs.

15. Underutilization of travel of $0.5 million (21.9 per cent) resulted from a general curtailment of staff travel. The cutbacks for supplies and materials, replacement of furniture and equipment as well as the postponement of VIC maintenance work resulted in an underutilization of the budget for these objects of expenditure of $6.5 million (24.7 per cent).

16. The Regular Programme of Technical Cooperation and IDDA supplementary activities were nearly fully implemented. High priority was assigned to these activities during the biennium at the expense of some other activities.

17. The underutilization of other expenses of $3.5 million or 21 per cent was mainly related to joint and common services, in particular essential requirements of Buildings Management, security and safety services, medical services and conference services, including translation.

G. Income

18. The deficit of income over the budget estimates comprises:

Income in millions of US dollars

	Budget	Actual	Surplus/ (deficit)	%
Cost reimbursement income	28.7	22.0	(6.7)	-
Miscellaneous income	1.4	(0.1)	(1.5)	-
Total	30.1	21.9	(8.2)	(27.4)

The deficit in cost reimbursement income of $6.7 million is directly related to the underutilization of the budgeted gross expenditure for VIC operating costs and lower-than-anticipated contributions of Governments to the running costs of UNIDO field offices. Miscellaneous income as contained in the budget estimates approved in GC.8/Dec.17 of $1.4 million was slightly exceeded; however, it was more than offset by exchange losses, as detailed in the following table:

Millions of US dollars

	Budget	Actual	Surplus/ (deficit)
Interest income on cash balances	1.3	1.4	0.1
Income from sale of publications	0.1	0.1	-
Exchange losses	-	(2.2)	(2.2)
Other income	-	0.6	0.6
Total miscellaneous income	1.4	(0.1)	(1.5)

Of the $2.2 million exchange loss, $1.8 million ($1.6 million in 2000 and $0.2 million in 2001) arose from the revaluation as required under financial rules 110.6 and 110.7 of bank accounts held in local currency, and the remaining $0.4 million resulted from general transactions.

II. OPERATIONAL BUDGET

19. The operational budget is funded mainly from support cost income earned on technical cooperation project delivery and from technical services provided by the Organization. Support costs to be financed during the biennium from operational budget income were presented in the programme and budget document (GC.8/16) and approved by the General Conference in decision GC.8/Dec.17.

20. The financial results for the biennium are as follows:

Millions of US dollars

	Budget (1)	Actual (2)	Variance (3)=(2-1)
Technical cooperation delivery, excluding regular budget	218.0	148.1	(69.9)
Income earned on delivery for technical services	29.3	18.2	(11.1)
Cost reimbursement from host Governments	0.4	0.1	(0.3)
Miscellaneous income	0.1	0.4	0.3
Total income	29.8	18.7	(11.1)
Expenditure	28.8	17.3	11.5
Surplus/(deficit)	1.0	1.4	0.4

21. A comparison of actual expenditure with the budget estimates, as contained in document GC.8/16, is presented in tables 3 and 4 by major programme and major object of expenditure, respectively.

22. As can be seen in the above table, while actual technical cooperation delivery and income did not reach the budgeted level, a net surplus of $1.4 million was recorded in the operational budget for the biennium. The surplus was achieved by maintaining high vacancies under established posts and by restricting non-staff resource allocations to limited areas. During the biennium, the average vacancy factor was 40.2 per cent for Professional and 28.1 per cent for General Service posts in financial terms. The surplus of $1.4 million from the 2000-2001 biennium increased the combined operating reserve and fund balances in the operational budget from $1.6 million to $3.0 million at 31 December 2001.

III. ACTION REQUIRED OF THE COMMITTEE

23. The Committee may wish to take note of the information provided in the present document.

Table 1
Regular budget
Financial performance report for 2000-2001 by major programme
(In thousands of US$)

Major programme	Approved budget 2000-2001 a at US$ 1 = AS 12.90 (a)	Revised budget 2000-2001 at US$ 1 = AS 15.11385 (b)	Actual expenditure/income 1/1/00 to 31/12/01 (c)	Unutilized balance at 31/12/01 (d)=(b-c) (d)	Percentage (e)
Expenditure					
A. Governing Bodies	5,678.8	4,881.2	4,054.1	827.1	16.9
B. General Management	10,927.6	9,556.1	10,166.7	(610.6)	(6.4)
C. Strengthening of Industrial Capacities	40,654.6	35,316.7	32,802.4	2,514.3	7.1
D. Cleaner and Sustainable Industrial Development	17,133.6	14,844.7	15,534.8	(690.1)	(4.6)
E. Regional Programme	26,966.1	25,325.0	22,621.4	2,703.6	10.7
F. Administration	25,392.0	22,071.5	23,405.9	(1,334.4)	(6.0)
G. Buildings Management	40,983.1	35,104.4	26,005.5	9,098.9	25.9
Total expenditure	167,735.8	147,099.6	134,590.8	12,508.8	8.5
Income					
E. Regional Programme	1,015.2	1,015.2	661.7	353.5	34.8
G. Buildings Management	32,362.5	27,720.3	21,370.3	6,350.0	22.9
Miscellaneous Income	1,448.5	1,409.8	(147.3)	1,557.1	110.4
Total income	34,826.2	30,145.3	21,884.7	8,260.6	27.4
TOTAL	**132,909.6**	**116,954.3**	**112,706.1**	**4,248.2**	**3.6**

*Approved in decision GC.8/Dec.17

Table 2
Regular budget
Financial performance report for 2000-2001 by major object of expenditure
(In thousands of US$)

Major object of expenditure	Approved budget 2000-2001[a] at US$ 1 = AS 12.90 (a)	Revised budget 2000-2001 at US$ 1 = AS 15.11385 (b)	Actual expenditure/income 1/1/00 to 31/12/01 (c)	Unutilized balance at 31/12/01 (d)=(b-c) (d)	Percentage (e)
Expenditure					
100 Staff costs	97,337.3	85,959.7	83,736.4	2,223.3	2.6
200 Official travel	2,430.5	2,182.8	1,705.1	477.7	21.9
300 Contractual services	520.1	454.8	420.1	34.7	7.6
400 General operating costs	28,909.1	25,201.2	19,170.9	6,030.3	23.9
500 Supplies and materials	785.9	672.6	440.7	231.9	34.5
600 Acquisition of furniture and equipment	623.1	531.8	258.8	273.0	51.3
700 EDP non-staff costs	4,150.7	3,542.7	3,784.6	(241.9)[b]	(6.8)
800 Technical cooperation, including IDDA supplementary activities	13,875.6	12,043.3	12,033.8	9.5	0.1
900 Other expenses	19,103.5	16,510.7	13,040.4	3,470.3	21.0
Total expenditure	167,735.8	147,099.6	134,590.8	12,508.8	8.5
Income					
100 Staff costs	9,651.9	8,336.1	6,996.8	1,339.3	16.1
200 Official travel	7.2	6.3	1.5	4.8	76.2
400 General operating costs	18,965.3	16,336.0	12,135.5	4,200.5	25.7
500 Supplies and materials	206.5	176.3	113.5	62.8	35.6
600 Acquisition of furniture and equipment	315.2	269.0	136.0	133.0	49.4
900 Other expenses	4,231.6	3,611.8	2,648.7	963.1	26.7
Miscellaneous Income	1,448.5	1,409.8	(147.3)	1,557.1	110.4
Total income	34,826.2	30,145.3	21,884.7	8,260.6	27.4
TOTAL	**132,909.6**	**116,954.3**	**112,706.1**	**4,248.2**	**3.6**

[a] Approved in decision GC.8/Dec.17.

[b] This overrun results from the revaluation of the Austrian shilling portion of the approved budget estimates at the average rate of exchange of the biennium of US$ 1 = AS 15.11385 and the revaluation of outstanding obligations at the end of the biennium to the December exchange rate of US$ 1 = AS 15.4528. The budget rate of exchange of US$ 1 = AS 12.90 is applied when monitoring the expenditures during the biennium and thus, the expenditures remained within the approved budget level. Such bookkeeping losses result from the split-currency system and will not be happening in the future because UNIDO has moved to a single currency system in 2002-2003.

Table 3
Operational budget
Financial performance report for 2000-2001 by major programme
(In thousands of US$)

Major programme	Approved budget estimates 2000-2001 at US$ 1 = AS 12.90 (GC.8/Dec.17) (a)	Actual expenditure/income 1/1/00 to 31/12/01 (b)	Variance (c)=(a-b)
Expenditure			
A. Governing Bodies	-		-
B. General Management	987.0	278.6	708.4
C. Strengthening of Industrial Capacities	8,812.8	4,571.8	4,241.0
D. Cleaner and Sustainable Industrial Development	5,081.0	3,596.1	1,484.9
E. Regional Programme	7,902.6	4,667.6	3,235.0
F. Administration	6,046.3	4,172.9	1,873.4
G. Buildings Management			-
Total expenditure	28,829.7	17,287.0	11,542.7
Income			
E. Regional Programme	433.4	100.4	333.0
Miscellaneous Income	140.0	411.2	(271.2)
Total income	573.4	511.6	61.8
TOTAL	**28,256.3**	**16,775.4**	**11,480.9**

Table 4
Operational budget
Financial performance report for 2000-2001 by major object of expenditure
(In thousands of US$)

Major object of expenditure	Approved budget estimates 2000-2001 at US$ 1 = AS 12.90 (GC 8/Dec.17) (a)	Actual expenditure/income 1/1/00 to 31/12/01 (b)	Variance (c)=(a-b)
Expenditure			
100 Staff costs	27,386.9	15,526.6	11,860.3
200 Official travel	-	0.9	(0.9)
300 Contractual services		555.7[a]	(555.7)
400 General operating costs	1,442.8	1,203.8	239.0
500 Supplies and materials			-
600 Acquisition of furniture and equipment			-
700 EDP non-staff costs			-
800 Technical cooperation			-
900 Other expenses			-
Total expenditure	28,829.7	17,287.0	11,542.7
Income			
400 General operating costs	433.4	100.4	333.0
Miscellaneous Income	140.0	411.2	(271.2)
Total income	573.4	511.6	61.8
TOTAL	**28,256.3**	**16,775.4**	**11,480.9**

[a]Expenditures include the reimbursement of Montreal Protocol project administration activities to the State Environment Protection Administration in China and the reimbursement of support services of the Turkish Technology Development Foundation in Turkey.

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MOBILIZATION OF FINANCIAL RESOURCES FOR UNIDO PROGRAMMES

Report by the Director-General

Summary

Responds to the mandate provided by decision IDB.25/Dec.5 in which the Director-General is requested to maintain a continuous dialogue with Member States to actively sustain the common resource mobilization efforts and to report on the progress made to the Board at its twenty-sixth session. Reports on progress made in the mobilization of financial resources and informs on new approaches.

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Introduction

1. The present document responds to the mandate provided by decision IDB.25/Dec.5 in which the Director-General is requested to maintain a continuous dialogue with Member States in order to actively sustain the common resource mobilization efforts and to report on the progress made to the Board at its twenty-sixth session. The document should be considered in conjunction with the Annual Report of UNIDO 2001 (IDB.25/2-PBC.18/2), Chapter V. A which provides information on the mobilization of funds for UNIDO services from the various sources available to the Organization. In addition, the addendum to the Annual Report 2001 (IDB.25/2/Add.1-PBC.18/2/Add.1) shows a list of technical cooperation activities.

2. Extrabudgetary funding for the delivery of UNIDO services is extremely important, given the very limited availability of funding for technical cooperation activities from the regular budget. In 2001 approximately half of the extrabudgetary funding obtained related to the specific objectives of the Montreal Protocol and the Global Environment Facility (GEF), and the other half was provided by governmental contributions using the Industrial Development Fund or the trust fund mechanism. It is evident therefore that these governmental contributions are essential for the implementation of the integrated programmes as well as the important priorities defined in the Medium-Term Programme Framework 2002-2005 (GC.9/Res.2).

I. PROGRAMMING THRUST FOR THE BIENNIUM 2003-2004

3. For the biennium 2003-2004 the priority in respect of programming of funds available to the Organization will continue to be given to (a) the integrated programmes; (b) the new initiatives being developed by the Organization in response to the medium-term programme framework and the international development priorities; and (c) priority stand-alone activities in countries where no integrated programme is operating. Evidently, such stand-alone projects will be developed and implemented within the eight service modules. In terms of geographical distribution, priority will continue to be given to the least developed countries (LDCs) and Africa.

4. The first new initiative has been fully developed and was launched during the International Conference on Financing for Development that took place at Monterrey, Mexico, in March 2002. The initiative "Enabling developing countries to participate in international trade—strengthening the supply capacity" was well received and has attracted a high level of interest. It is anticipated that this initiative will attract considerable funding from donor Governments.

5. Other new initiatives are being considered or are already under development, including one in relation to the forthcoming World Summit on Sustainable Development to be held at Johannesburg, South Africa, from 26 August to 4 September 2002. Once fully developed, these initiatives will also be used as a basis for mobilizing financial resources for their implementation.

II. FUNDS MOBILIZATION FOR THE INTEGRATED PROGRAMMES

6. UNIDO continues to give priority to mobilizing funds for the integrated programmes. The total amount raised has increased to over $100 million (including future payments under signed agreements). In addition, a number of projects with a value of some $20 million are under negotiation with donors. UNIDO field representatives are associated with these efforts and are requested to maintain close working relations with donors represented in their country of assignment. Where appropriate and useful, special funds mobilization missions are undertaken in order to have focused consultations with potential donors in the field. This is usually combined with a presentation of the overall programme by the Government to the donor community.

7. The single most important issue for effective funds mobilization for the integrated programmes is the extent of real government/national ownership and commitment. It is essential that donors have no doubt about the programme being "owned" and driven by the Government and other national stakeholders including the private sector. Also for several potential sources of funds the Government is either directly responsible (direct foreign investment loan funding, for self-funding and cost-sharing) or highly influential (for UNDP and GEF funding). Overall, funds mobilization is a joint responsibility of the Government and UNIDO.

III. NEW OPPORTUNITIES FOR THE MOBILIZATION OF FUNDS

8. Starting in 1998, UNIDO has been focusing its activities further. Initially, its services had been grouped into 16 service modules, but following the experience gained in the last four years eight service modules are now in operation. This clear focus has greatly facilitated the promotion of the specific activities of these service modules. Based on these well-defined activity areas, UNIDO has started approaching selected donors with a view to developing thematic partnerships. Such partnerships could include the provision of programmable funds within the thematic subject area, funding for specific agreed projects, and also cooperation in the development of the concept, approaches and related

tools, as well as joint research in the subject. This has been recently achieved when the Swiss Agency for Development and Cooperation approved a project of thematic cooperation in the areas of small and medium enterprises networking and cluster development for an estimated cost of $1.3 million. It is anticipated that such partnerships would strengthen the cooperation with the donor, but also strengthen the conceptual basis and operational tools for key UNIDO activities.

9. The new initiatives mentioned in paragraphs 4 and 5 above would further enhance the opportunities for developing thematic partnerships with donors as well as the scope for mobilizing funds. Where suitable, UNIDO endeavours to use opportunities provided by major international conferences to draw the attention of the international community to selected programme activities of UNIDO, by launching clearly defined initiatives responding to the key concerns being addressed by each conference. The new initiative "Enabling developing countries to participate in international trade—strengthening the supply capacity" was launched during a side event of the International Conference on Financing for Development, jointly with the European Commission, which is a potential partner and major donor for the initiative. It was well received and resulted in a number of inquiries and requests for assistance. Similarly, a new initiative related to rural energy may be launched during the forthcoming World Summit on Sustainable Development.

10. Finally, in relation to the "Enabling developing countries to participate in international trade—strengthening the supply capacity" initiative, UNIDO launched for the first time a dedicated trust fund, aiming at funding well-defined types of small or urgent activities within the initiative. The fund has been established with an initial UNIDO contribution of $1 million which was drawn from its limited regular programme resources. Donors are being approached for contributions to this trust fund. A first contribution of €200,000 was made by Austria, and consultations with several other donors are expected to result in contributions in the coming months.

IV. ACTION REQUIRED OF THE COMMITTEE

11. The Committee may wish to consider recommending to the Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of the information contained in document IDB.26/6-PBC.18/7;

"(b) Decides to delegate to the Director-General the authority to approve projects for financing under the Industrial Development Fund in 2003 and 2004 in accordance with the priorities defined in the medium-term programme framework, 2002-2005 (GC.9/Res.2);

"(c) Encourages Member States and other donors to increase their voluntary contributions to UNIDO;

"(d) Also encourages all donors to consider contributing programmable funds, specifically to enable UNIDO to implement the integrated programmes in a coordinated manner and achieve the synergy and increased impact envisaged in the integrated programme concept, as well as to support an efficient development and implementation of the new initiatives;

"(e) Encourages Governments of recipient countries to play a more active role in sharing with UNIDO the responsibility to mobilize funds for jointly developed integrated programmes and other high-priority activities, and specifically to assist in identifying and accessing funds available at the country level, including cost-sharing arrangements, and funds from bilateral donors, UNDP, and from the World Bank and other development finance institutions;

"(f) Strongly recommends that Member States cooperate with the Organization in its efforts to launch and promote the new initiatives in the international development context, especially in international conferences and other forms of dialogue, to ensure that these initiatives are well known and their relevance for international development targets appreciated."

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Programme and Budget Committee

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Item 7 of the provisional agenda

IMPLEMENTATION OF MEDIUM-TERM PROGRAMME FRAMEWORK, 2002-2005, INCLUDING FIELD REPRESENTATION AND TECHNOLOGY FORESIGHT

Implementation of medium-term programme framework, 2002-2005

Report by the Director-General

Reports on implementing measures contained in General Conference resolution GC.9/Res.2 on the medium-term programme framework, 2002-2005

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Introduction

1. The present document is issued in accordance with General Conference resolution GC.9/Res.2 on the medium-term programme framework (MTPF) for 2002-2005. That resolution encouraged the Director-General to devote particular attention to a number of specific issues in implementing the Business Plan during 2002-2005, and called upon him to report to the tenth session of the Conference, through the Industrial Development Board, on the implementation of the resolution. The present report highlights the issues selected for special attention in resolution GC.9/Res.2 under the headings of strengthening industrial capacities, cleaner and sustainable industrial development, global forum activities, field representation and human resources management, and summarizes the principal measures taken in response.

I. STRENGTHENING INDUSTRIAL CAPACITIES

A. Maintaining and reinforcing the sectoral priorities defined in the Business Plan

2. In order to enhance UNIDO's abilities to implement activities meeting the sectoral priorities defined in the Business Plan more effectively and efficiently, the Director-General has reconfigured the Organization's structure into three divisions—two substantive and one administrative—with effect from 1 March 2002. All the substantive areas involved in developing technical cooperation programmes have been brought together into a single division, in order to promote a coherence of efforts, strengthen a strategic approach and improve UNIDO's delivery and technical capacity. The second substantive division combines programme coordination, strategic research and the regional bureaux.

3. While proceeding with the formulation and implementation of integrated programmes and country service frameworks, UNIDO has also begun to develop a limited number of new thematic initiatives to provide specialized assistance to developing countries and countries with economies in transition in meeting particularly pressing development needs. These initiatives are intended to address key subjects on the international development agenda while reflecting UNIDO's comparative advantages in the field of industrial development. Several of these initiatives—covering rural energy, sustainable business linkages, product innovation, food security, post-crisis rehabilitation, biotechnology and technology foresight—are currently under consideration. After due evaluation, the most promising of these are expected to be introduced by the end of 2002.

B. Supporting institutional capacity-building in relation to technical regulations and standards, in order to facilitate market access

4. One such initiative—to facilitate access to international markets for developing countries and countries with economies in transition by helping these countries to meet quality and standards requirements and overcome other technical barriers to trade—has already been launched. This initiative was formally unveiled by the Director-General at the International Conference on Financing for Development held from 18 to 22 March 2002 at Monterrey, Mexico. It is to be operationalized by the introduction of a number of regional trade facilitation programmes, the first of which has already been drafted for the Central American subregion. In addition, several projects for creating or strengthening local standards, metrology, testing and quality (SMTQ) systems have been formulated for, or implemented in, a wide range of countries and regions. These include Sri Lanka, Uzbekistan, UEMOA countries, Mekong River Basin countries, SAARC, SADC and ECOWAS countries.

C. Promoting investment and technology transfer, sectoral interaction with the private sector and interregional cooperation

5. UNIDO remains very active in this field, in particular through training national staff of investment promotion agencies and relevant private sector institutions in investment project identification, formulation, appraisal and promotion. This capacity-building effort is accompanied by the formulation of a portfolio of enterprise and investment project profiles, the most promising of which are promoted through the Investment and Technology Promotion Office (ITPO) network, primarily by trained national staff seconded to ITPOs. Special investment forums are also organized, usually at the subsector or bilateral levels but occasionally at the broader regional or multisector levels, as at the Organization of African Unity Forum at Cairo in April 2002.

6. In addition, several innovative new steps are being taken in this field. One of these is introducing closer cooperation with financing institutions to establish more direct links between the investment opportunities generated by UNIDO programmes and equity financing mechanisms. Another is the establishment of an inter-regional Africa investment promotion agency network to provide UNIDO with a focus group for developing new approaches and generating unique empirical analyses.

D. Assisting in the development of small and medium enterprises (SMEs) through providing policy advice and strengthening support institutions with special emphasis on rural and women's entrepreneurship

7. UNIDO continues to provide technical cooperation services aimed at promoting effective policies and specialized support institutions for SME development. The Organization's contributions in this field cover support for overall industrial policies, strategies and support institutions, rural and women's entrepreneurship, SME clusters and networks, and business partnerships and information services.

8. With regard to industrial strategies and institutional support, UNIDO endeavours to build up an enabling framework for industrial development in terms of a conducive regulatory and incentives system and targeted policy measures, based on detailed competitiveness analyses. Emphasis is given to public/private consultative mechanisms through strengthening private sector institutions and representative bodies. Integrating SME development needs into policy design and implementation receives high priority. For instance in Viet Nam, as a result of UNIDO work, major policy reforms in support of SMEs were finalized in early 2002.

9. The principal objective of the UNIDO programme for rural and women's entrepreneurship development is to contribute to poverty reduction by providing technical cooperation services to encourage the initiatives of rural and women entrepreneurs and reduce the regulatory impediments hampering their success. In the current MTPF period, special attention is being given to promoting this programme in least developed countries (LDCs), sub-Saharan Africa and countries with special needs, e.g. pockets of poverty, ethnic isolation, or conflict zones. There are ongoing projects in 29 countries, of which 12 are in LDCs and 14 are in Africa.

10. The SME cluster and network development programme is intended to help SMEs overcome the limitations of small size by promoting collective action and thereby enabling them to achieve external economies beyond the reach of individual firms. This programme is in high demand, and the large number of ongoing projects is expected to be supplemented by numerous new projects included in the integrated programmes scheduled for implementation during the current MTPF period. This increase in the volume of technical cooperation will be accompanied by an increase in global forum activities, inter alia, through launching a research and demonstration project with support and financing from Switzerland, on the use of cluster development as a tool for poverty alleviation. UNIDO also intends to establish a global training programme for cluster and network development functions, and to devise a system of performance indicators, measurement techniques and data collection systems to provide timely and accurate information on the impact of the various cluster and network development projects.

11. UNIDO's business partnerships and information services programme seeks to build operational partnerships between the public and private sectors for implementing innovative and sustainable technical cooperation schemes[1] on the one hand, and to promote the use of modern information and communication technologies for SME development on the other. In 2002-2005 this programme will continue to focus on the issue of corporate social responsibility, in particular through the ongoing project to introduce the concept of the "triple bottom line" (financial profitability, social responsibility and environmental sustainability) to exporters in developing countries. A complementary study, entitled *Corporate Social Responsibility: Implications for SMEs in Developing Countries*, is due for publication in mid-2002. In addition, an innovative approach has been launched to overcome the traditional divide between financial services and business development services through a pilot scheme in Nigeria in partnership with the African Capital Alliance and the Lagos Business School. Finally, UNIDO will continue its information networking activities through the establishment of one-stop-shops to support the information requirements of SMEs and provide assistance in refocusing government information networks.

E. Promoting South-South cooperation

12. South-South cooperation is promoted by UNIDO wherever possible, both through its technical cooperation and its global forum functions. For example, the Organization's activities in agro-processing include identification of major food products where know-how transfer through South-South cooperation is possible. They also support the creation of networks between middle-income and least developed countries and holding joint training workshops for the exchange of knowledge, financial resources and market possibilities. Recently, UNIDO has also launched a bamboo-processing programme with strong emphasis on South-South cooperation.

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[1] For an analysis and assessment of the UNIDO approach as applied in India see Samii, R., et. al., *An Innovative Public-Private Partnership: New Approach to Development*, in World Development, Vol. 30, No. 6, pp. 991-1008, 2002

F. Promoting the transfer of technology, particularly for agro-related technology, information and communications technology, and biotechnology

13. With regard to promoting the transfer of technology, five significant developments can be reported for 2002:

(a) Establishing the Shanghai Information Technology Promotion Centre (SITPC) in China with the aim of addressing the issues faced by information technology (IT) institutions and cities in the Asia-Pacific region and strengthening their capacities through international cooperation, technology partnerships and training;

(b) Promoting a cooperative venture between the International Centre of Medicine and Biotechnology (ICMB) in Moscow and the Beijing Free Economic Zone and Beijing City Administration to establish a modern medical diagnostic centre in Beijing, and the launch of a programme to transfer generic technologies from Russia to China;

(c) Initiating steps to activate cooperation in the commercialization and transfer of technology with the International Centre for Genetic Engineering and Biotechnology (ICGEB) at Trieste, Italy;

(d) Signing an agreement between UNIDO and the World Intellectual Property Organization (WIPO) that provides for the establishment of a partnership between the two Organizations for awareness-building and training in the SME sector in the field of intellectual property rights and technology commercialization and transfer;

(e) Establishing a UNIDO initiative on "Technology Transfer: Assessing Needs—Promoting Action" which will be launched at the World Summit for Sustainable Development (WSSD) at Johannesburg, South Africa, in August/September 2002. This initiative combines technology needs assessment methodologies and tools that can be applied at national, sectoral and enterprise levels with proven technology promotion techniques and networks.

14. Related activities proposed for the remainder of the MTPF period include strengthening the capacities of UNIDO's ten International Technology Centres. Each Centre will set up a "think tank" to provide developing countries with guidance and "technology road maps" as inputs for decision-making on major technology-related issues in areas with a cross-sectoral impact, such as IT, new materials, biotechnology, medicine biotechnology, energy, environment and manufacturing.

G. Extending technology foresight activities to all regions

15. UNIDO has taken the following measures to promote its technology foresight operations, and to extend them beyond the existing programmes for Latin America and Central and Eastern Europe and the NIS to all regions:

(a) The ongoing programme in Latin America has continued with the development of a new concept of using technology foresight for production chains. With funding from the International Centre for Science and High Technology, previously launched activities in Brazil and Venezuela have been concluded, and new activities have been initiated in Chile and Uruguay. Over the remainder of the MTPF period the programme will be extended to cover several other countries, including Colombia and Peru, and a set of regional technology foresight studies will be undertaken on a number of important production chains and thematic fields;

(b) With regard to the ongoing programme in Central and Eastern Europe and NIS, UNIDO is making preparations for holding an international conference on new advances in technology foresight in September 2002 at Kiev. Preparatory steps have also been taken in cooperation with the Government of Hungary for holding the first of a series of planned annual Technology Foresight Summits in early 2003 at Budapest. This summit will highlight the field of biotechnology in Central and Eastern Europe;

(c) With a view to extending the technology foresight operations to Asia, a project document has been formulated and distributed to recipient partner countries and donor sources for endorsement and support. Measures have also been taken to develop subregional technology foresight initiatives in China;

(d) In the case of Africa, contacts have been established with the Commonwealth Science Council to participate in a regional technology foresight exercise in Southern Africa, with the cooperation and support of South Africa. A draft concept paper was delivered to the South African Ministry of Industry and to the Industrial Development Corporation (IDC) in April 2002. Further consultations with the partners on how to proceed with the launching of the programme are expected to take place during the summer of 2002;

(e) A proposal for a regional technology foresight exercise in the Maghreb region is expected to be finalized, and related promotional activities to be activated, by the end of 2002. Potential donors for this programme include neighbouring European countries

such as Spain, France and Italy. The sectors expected to be covered by the planned programme include agro-food, energy and information technology.

16. In addition, a number of other steps are being taken to further strengthen the role of technology foresight in the range of technical cooperation services offered by UNIDO. These include preparing a UNIDO sales publication on technology foresight and a manual for foresight methodologies. Cooperation arrangements are also being developed with a number of renowned international institutions dealing with technology foresight. As indicated above (para. 3), technology foresight is also being considered as a subject for one of the forthcoming special UNIDO initiatives.

II. CLEANER AND SUSTAINABLE INDUSTRIAL DEVELOPMENT

A. Developing further cleaner production activities, especially in agro-industry

17. New developments in cleaner production during the current MTPF include establishing new National Cleaner Production Centres (NCPCs) in Sri Lanka and Lebanon during 2002. These will increasingly focus on the agro-industrial sectors. As many as 10 new NCPCs may be established during the remainder of the MTPF period, with the first of these expected to be established in South Africa in autumn 2002, and the second possibly in the Philippines by the end of the year. In addition, several projects focusing on the transfer of cleaner technologies and on eco-design have been initiated in the recent past, and the number is expected to grow over the next few years.

B. Implementing the assistance programme for greenhouse gas reduction, increased energy efficiency and increased use of renewable and alternative sources of energy

18. UNIDO's programme on greenhouse gas reduction and promoting increased energy efficiency as well as the increased use of renewable and alternative sources of energy is continuing to receive high priority. The Organization is continuing to support capacity-building measures for the greenhouse gas reduction mechanisms of the Kyoto Protocol, such as the Cleaner Development Mechanism (CDM). It is also continuing to provide technical cooperation services in the fields of energy efficiency in energy-intensive industrial sectors and SMEs, and in the application of renewable energy technologies.

C. Supporting environmentally sustainable industrial development strategies and technologies in agro-industrial sectors

19. Agro-related industries remain the prime sectoral focus of UNIDO technical cooperation activities. The programmes in these subsectors seek to add value to agricultural produce, assist institutions in supporting productive agro-related enterprises, link industry to agriculture, and assist producers to meet market and environmental requirements. In particular, these programmes offer environmentally sustainable development strategies and technologies for the food, textile, leather, wood and agro-machinery industries.

20. UNIDO services for the food industry include advice to Governments and support institutions, and enterprise-level demonstration projects covering a variety of foods and animal feed. UNIDO also provides advice on processing technologies, product testing and packaging, consumer health and safety, and environmental issues, to ensure that the industry's products and processes meet the prevailing standards in local and export markets. In the remainder of the current MTPF period, UNIDO will seek to replicate its successful market access programmes of recent years, such as the ongoing programmes to promote fish quality in Uganda and the United Republic of Tanzania. Five new programmes to strengthen civil society organizations will also be launched in Africa, the Balkan region, and Latin America.

21. In the textile industry, UNIDO is providing assistance in such fields as policy advice, sector studies, promoting research and development centres and training institutions, and supporting the transfer of modern textile and garment production technologies. The Organization is also giving support to enterprises during the phase-out of the Multi-Fibre Agreement (MFA) and the introduction of its successor, the Agreement on Textiles and Clothing (ATC). In addition, it is helping the textile industries in sub-Saharan Africa and the Caribbean countries to take advantage of the African Growth and Opportunity Act and the Caribbean Basin Initiative, respectively. These activities will be strengthened during the current MTPF and successful programmes, such as the "Tissutheque" programme to promote the traditional textile industry in West Africa and the CAD/CAM centres to improve productivity and quality, will be replicated.

22. UNIDO services in the leather industry encompass advice to support institutions and demonstrating environmentally friendly processes and technologies in

the entire production chain from tanning to manufacturing competitive high-quality leather products and footwear. In 2002-2005 the programme will focus increasingly on technical support for market access, environmental issues, eco-labelling and safety at work. In addition, successful programmes such as the Training and Production Centre for the Shoe Industry established at Thika, Kenya, will be replicated.

23. In the wood sector, UNIDO will continue to provide advice and demonstration activities to increase value added to wood and non-wood (e.g. bamboo) forest products through manufacturing furniture and joinery items for building and the rational use of timber for construction. Other major activities in the wood sector will include transfer of technology and know-how, re-engineering of production lines, assistance in the design of marketable products for export using CAD/CAM software, and promoting environmentally-friendly processes and products. An Internet-based wood and bamboo industry project database is under preparation.

24. In the agro-related machinery industry, UNIDO's advisory services cover the design and manufacture of basic machinery and implements used for agricultural production and processing. In this context UNIDO has formulated a special method of analysing and diagnosing the agro-machinery sector, and designing a coherent set of support programmes and institutions for rural engineers. This method, the Agro-Machinery Industrial System (AMIS), also facilitates the transfer of technology, especially for pre- and post-harvest agricultural activities, for agricultural conservation and preventing land degradation. Its main focus in the foreseeable future will be on rehabilitating/establishing rural technology centres and industrial maintenance.

D. Supporting sustainable industrial development in accordance with international instruments and conventions

25. UNIDO continues to place high priority on implementing sustainable industrial development strategies in accordance with international instruments and conventions such as the Stockholm Convention on Persistent Organic Pollutants (POPs), the Cartagena Protocol on Biosafety (CPB) of the Convention on Biological Diversity (CBD), and the Kyoto Protocol to the United Nations Framework Convention on Climate Change (UNFCCC). Its activities in these fields during the current MTPF period may be summarized as follows:

(a) With regard to the Stockholm Convention, UNIDO has been awarded the status of an "Executing Agency with Expanded Opportunities", and has thereby gained direct access to the resources of the Global Environment Facility (GEF), the interim financial mechanism of the Convention. To date, UNIDO's efforts have focused on creating awareness of the Convention among Member States and, upon request, helping them to formulate proposals for the initiation of enabling activities leading to the preparation of the National Implementation Plans required by the Convention. Some 50 Member States have requested UNIDO assistance, and GEF approval has been obtained to proceed with some 25 proposals. In addition, UNIDO has developed a number of proposals to identify best technologies for eliminating the proscribed POPs and the best alternative materials to be used as substitutes for them. Over the remainder of the MTPF period, efforts will be made to mainstream the POPs-related activities into the broader programmatic framework of UNIDO;

(b) In connection with the Cartagena Protocol, UNIDO has continued to assist Member States in building the scientific and regulatory capacities to fulfil the provisions of the Protocol. In addition, UNIDO assists the CBD Secretariat in implementing one of the main technical provisions of CPB, the Biosafety Clearing-House Mechanism. Both of these activities will continue for the duration of the MTPF;

(c) As indicated above (para. 18), UNIDO is continuing to support capacity-building measures for the implementation of the provisions of the Kyoto Protocol. These activities will also be sustained for the remainder of the current MTPF.

E. Providing access to modern and efficient energy services for the poorest

26. Based on its comparative advantages in this field, UNIDO has developed a strong rural energy programme, with both technical cooperation and global forum components. The projects implemented under this programme are aimed at increasing the access of the poor to energy. The projects' main feature is their emphasis on creating and/or strengthening of local capacities to manufacture components of rural energy systems and promoting the productive use of these systems for employment creation and income generation.

F. Continuing cooperation with GEF

27. Cooperation with GEF is being undertaken in several fields in which UNIDO has a comparative advantage. In addition to POPs-related activities (para. 25), these include projects to improve the efficiency with which energy is used in industries and which provide modern energy services in rural areas of poor countries and regions. In the GEF focal area of international waters, projects are being executed by UNIDO aiming at cleaner production to decrease or eliminate industrial pollution at coastal areas, and thus promote sustainable industrial fisheries. Other UNIDO

initiatives eligible for GEF support contribute to implementation of the United Nations Framework Convention on Climate Change and the Montreal Protocol.

G. Pursuing activities related to the phasing out of ozone-depleting substances as defined in the Montreal Protocol

28. The year 2002 marks the tenth anniversary of UNIDO's involvement as an implementing agency of the Montreal Protocol, whose goal is the worldwide elimination of ozone-depleting substances (ODS) by 2010. In the current year, the emphasis has been shifted from the traditional project-by-project approach towards national or sectoral ODS phase-out plans, referred to as NPP and SPP respectively, as a result of the new Framework for Strategic Planning established by the Multilateral Fund for the Implementation of the Montreal Protocol. This new approach will require a much more complex involvement on the part of UNIDO, including the provision of programme-level policy advice and institutional strengthening in addition to the traditional technical cooperation and training components. UNIDO has proposed 20 NPP and SPP programmes for implementation in 2002, as well as 54 new projects for an estimated budget of some $35.2 million.

III. GLOBAL FORUM ACTIVITIES

A. Ensuring that technical cooperation activities are supported by cost-effective and output-oriented analytical activities

29. UNIDO continues to emphasize cost-effective and output-oriented analytical activities to provide a strong analytical foundation for its technical cooperation activities. Examples of such work already undertaken or planned in the current MTPF period include publishing discussion and working papers within the framework of the *UNIDO Staff Research Series*; preparing surveys, analyses and databases on issues related to industrial development; formulating manuals, guidelines and toolboxes for specific technical cooperation activities; and holding expert group meetings to discuss matters of relevance to UNIDO's technical cooperation activities.

B. Using global forum activities to improve programmatic activities and enhance common understanding of the contribution of industry to poverty alleviation and economic linkages

30. In addition to its analytical work undertaken in direct support of its technical cooperation activities, UNIDO also conducts broader global forum activities intended to improve its programmatic framework and promote public awareness of industry as a driving force for sustainable poverty alleviation and economic development. The range of such activities proposed for the current MTPF period includes:

(a) The launch of the *Industrial Development Report 2002/2003: Competing through innovation and learning* on 30 July 2002. This report is the first of a new series of publications intended to provide UNIDO clients with a learning tool drawing on empirical benchmarking of industrial performance and capabilities, and on practical examples related to linkage, leverage and learning. A unique feature of the *Report* is the Scoreboard of industrial performance and its drivers. A website is being established to disseminate the information and analysis contained in the *Report* and a number of background papers prepared for it;

(b) The launch in November 2001 of a three-year research programme on *Combating Marginalization and Poverty through Industrial Development* (COMPID). This Danish-funded study is guided by the Millennium Development Goals of poverty alleviation and environmental sustainability, and will focus on five topics: public goods, poverty alleviation, technological development, SMEs and social capital;

(c) The continued collection (in collaboration with the Organisation for Economic Cooperation and Development), upgrading and dissemination of key industrial statistics for all countries. The 2002 updates of the industrial statistics databases maintained by UNIDO have been completed for both external and internal dissemination, and the subsequent 2003, 2004 and 2005 rounds are scheduled as annual routine. Programme highlights for the remainder of the current MTPF period include the publication of the first edition of the re-designed Internet-based *Statistical Country Briefs* and the launch of a new Internet-based publication series tentatively entitled *Statistical Regional Outlooks*;

(d) UNIDO's involvement in technical meetings, both as a host and as a participant, remains a major component of its global forum activities. Examples of such involvement include holding a series of training workshops on industrial governance and the planned joint hosting, with the Government of Chile, of a global conference on biotechnology at Concepción, Chile, in 2003. In addition, UNIDO participates in most of the major regular and occasional international conferences in the various technical fields covered by the Organization.

31. A major feature of UNIDO's global forum activities is the Organization's networking with research institutions and universities. In this connection, a research cooperation agreement with the Centre for Study of African Economies at Oxford University,

which was initiated in 1999, has been renewed for a two-year period (2002-2003). Research collaboration has also been established with the Centre national de la recherche scientifique (CNRS) in Paris. Research papers addressing critical issues of industrial development in developing countries and countries with economies in transition prepared under this programme will be published under the joint auspices of CNRS and UNIDO.

32. UNIDO is also participating in the Nordic Partnership (NP) initiative founded by the World Wide Foundation for Nature in the four Nordic countries and the Danish strategic forum, House of Mandag Morgen. This partnership currently includes 17 major Nordic companies. UNIDO is working with the partners to develop, promote and implement a new approach on how to integrate sustainable development into the business model, thus ensuring that business can take on global responsibility—socially, environmentally and financially. By its active participation in the NP, UNIDO is in a very concrete way working to promote the integration of companies of developing countries into the global economy, thereby furthering an equal sharing of the benefits of globalization.

C. Participating in, and contributing to, major development conferences

33. UNIDO is continuing to play an active role in major development conferences. A high-level UNIDO delegation, headed by the Director-General, participated in the International Conference on Financing for Development held from 18 to 22 March 2002 at Monterrey, Mexico, at which the Director-General unveiled the new UNIDO initiative on market access facilitation (see para. 4 above). UNIDO has also participated actively in the preparatory process for the World Summit on Sustainable Development (WSSD) scheduled for 26 August to 4 September 2002. At the Summit itself, UNIDO's main areas of involvement are technology transfer, rural energy, cleaner production, water and corporate social responsibility. Additional detailed information on this subject may be obtained from document IDB.25/3, entitled "UNIDO involvement in major international conferences".

34. UNIDO actively participated in the ECOSOC High-Level Segment 2002—The Contribution of Human Resources to Development (1-3 July 2002). For UNIDO, the focus was on the Ministerial Roundtable Breakfast on Capacity-Building for Trade and Investment, co-chaired by the Director-General of UNIDO and the Secretary of State, Ministry of Foreign Affairs of Denmark. Roundtable participants urged that practical steps be taken by WTO, UNCTAD, UNIDO, the World Bank, regional development banks, the Common Fund for Commodities and other international organizations to promote trade facilitation measures, including the creation of a clearinghouse in support of better coherence, coordination and availability of information to benefit developing countries. This could be se as part of the follow-up to the WTO Ministerial Conference at Doha in November 2001, and it was recommended that WTO place this on its agenda. The Director-General also participated as a moderator in the Roundtable on "Strengthening institutional capabilities for sustainable development", at which the role of ECOSOC in the context of WSSD was discussed.

IV. FIELD REPRESENTATION

A. Establishing an appropriate monitoring and evaluation system for the field structure

35. Several measures have been taken or proposed in connection with the need to establish an appropriate monitoring and evaluation system for the field structure. These include:

(a) Revising, currently in progress, of the Director-General's Administrative Instructions DGAI/9 and DGAI/13 governing the technical cooperation management framework to reflect the experience gained during the past four years;

(b) Rationalizing the reporting requirements of the UNIDO Representatives (URs) to improve the quality of the reports, and a shift in their focus to the three main areas of importance for strategic management: United Nations system-wide development objectives, UNIDO programmme development and funds mobilization;

(c) Introducing follow-up measures based on the recommendations of the past four global URs meetings held in 1999-2002;

(d) Reviewing the Work Programme Performance and Reporting System (WPPRS).

B. Optimizing and strengthening the field structure and promoting regional integration

36. Several important measures have also begun to be taken to optimize the field structure and promote regional integration. They may be summarized as follows:

(a) Granting seed money to URs to strengthen their responsiveness to the needs of developing countries for UNIDO advisory services;

(b) Launching a web page for URs to enhance the efficiency and effectiveness of the services delivered by the URs and field offices;

(c) Reviewing an analysis of the situation of the field offices and their contribution to technical cooperation delivery conducted after the twenty-third session of the Industrial Development Board to identify follow-up actions to enhance the effectiveness of UNIDO's field offices;

(d) Identifying efforts to enhance the coordination of UNIDO's various field units—such as the UR offices, ITPOs, Technology Centres, NCPCs—to enable them to present a single coherent image of the Organization in the field;

(e) Introducing a career-training plan for URs to enable them to fulfil the added responsibilities arising from the decentralization and empowerment of field offices.

V. HUMAN RESOURCES MANAGEMENT

Encouraging the further development of the Human Resources Management Frame work while ensuring its effectivenss and efficiency

37. The Human Resources Management Framework (HRMF) was adopted in June 2001 and is being implemented in three phases. Phase 1 focuses on recruitment, selection and placement processes; phase 2 on career and performance management; and phase 3 on organizational learning and staff development. In 2002, phase 1 was concluded and aspects of phases 2 and 3 were launched in 2002, and will continue during the period covered by the MTPF.

38. Notable results achieved in 2002 include a 50 per cent reduction in time from advertising a post to the appointment of staff. UNIDO also implemented the contractual modality of appointments of limited duration under the 300 series of staff rules, and is continuing to improve the geographical distribution of staff as well as gender balance. Of the total number of appointments since the last recruitment drive, 35 per cent were from Asia and the Pacific, 30 per cent were from Africa, 5 per cent were from Eastern Europe and NIS and 30 per cent were from Western Europe and other States. Forty per cent of such appointments were female Professionals, compared to a previous maximum of 25 per cent.

39. UNIDO has adopted a new Performance Appraisal System, and undertaken a major job reclassification exercise leading to job classification upgrading, vacancy announcement competition and career growth recognition. A programme has also been launched to promote managerial and organizational competencies and professional excellence. The *UNIDO Competencies* booklet, published in 2002, introduces a comprehensive scheme of competencies to align managerial and technical profiles with the Organization's services. The definition of these competencies has provided a useful guide for the assessment and selection of candidates, and was applied in the selection process for Managing Director positions. Most recently, the first UNIDO Management Development Programme was initiated, and attended by senior-level staff. The programme drew on current management techniques and provided useful and practical pointers for professional excellence. In accordance with the HRMF, the development of other career management exercises and staff development tools are expected to continue during the period covered by the MTPF.

VI. ACTION REQUIRED OF THE COMMITTEE

40. The Committee may wish to take note of the information provided in the present document.

ABBREVIATIONS

A	
AMIS	Agro-Machinery Industrial System
ATC	Agreement on Textiles and Clothing
C	
CAD	computer-aided design
CAM	computer-aided manufacturing
CBD	Convention on Biological Diversity
CDM	Cleaner Development Mechanism
CNRS	Centre national de la recherche scientifique
COMPID	*Combating Marginalization and Poverty through Industrial Development*
CPB	Cartagena Protocol on Biosafety
E	
ECOWAS	Economic Community of West African States
G	
GEF	Global Environment Facility
H	
HRMF	Human Resources Management Framework
I	
ICGEB	International Centre for Genetic Engineering and Biotechnology
ICMB	International Centre of Medicine and Biotechnology
IDC	Industrial Development Corporation
IT	information technology
ITPO	Investment and Technology Promotion Office
L	
LDC	least developed country
M	
MFA	Multi-Fibre Agreement
MTPF	medium-term programme framework
N	
NCPC	National Cleaner Production Centre
NIS	Newly Independent State
NP	Nordic Partnership
NPP	National ozone-depleting substance phase-out plan
O	
ODS	ozone-depleting substance
OECD	Organisation for Economic Cooperation and Development
P	
POP	persistent organic pollutant
S	
SAARC	South Asian Association for Regional Cooperation
SADC	Southern African Development Community
SITPC	Shanghai Information Technology Promotion Centre
SME	small and medium enterprise
SMTQ	standards, metrology, testing and quality
SPP	sectoral ozone-depleting substance phase-out plan
U	
UEMOA	Union économique et monétaire Ouest africaine
UNFCCC	United Nations Framework Convention on Climate Change
UR	UNIDO Representative
W	
WIPO	World Intellectual Property Organization
WPPRS	Work Programme Performance and Reporting System
WSSD	World Summit for Sustainable Development

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IMPLEMENTATION OF MEDIUM-TERM PROGRAMME FRAMEWORK, 2002-2005, INCLUDING FIELD REPRESENTATION AND TECHNOLOGY FORESIGHT

Implementation of medium-term programme framework, 2002-2005

Report by the Director-General

Corrigendum

Paragraph 15 (b)

At the end of the last sentence in the subparagraph *insert*

For 2003, the Government of Turkey proposes to host a regional training meeting, for which preparatory steps have been undertaken by both the Government and the UNIDO Secretariat. Negotiations are under way with the Czech Republic for regional training in foresight methodologies, also for 2003;

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Programme and Budget Committee

Eighteenth session
Vienna, 24-25 September 2002
Item 9 of the provisional agenda

MEDIUM-TERM PROGRAMME FRAMEWORK, 2004-2007

Proposals of the Director-General

Provide information on proposed activities in the forthcoming medium-term programme framework period, 2004-2007

Introduction

1. The present note is submitted in accordance with General Conference decision GC.2/Dec.23, as subsequently amended in decision GC.6/Dec.10, which requests the Director-General to submit to the Board in the first year of each fiscal period, through the Committee, a draft medium-term programme framework (MTPF) for the four years that follow the current fiscal period. It also complies with paragraph (b) (v) d of decision GC.2/Dec.23, which requests the Director-General to indicate a general ceiling for the biennium 2004-2005 based on anticipated resources and on programme activity.

I. BACKGROUND—THE BUSINESS PLAN AND MEDIUM-TERM PROGRAMME FRAMEWORK, 2002-2005

2. The broad programmatic objectives and priorities of UNIDO are given in the Business Plan on the Future Role and Functions of UNIDO endorsed by the General Conference in resolution GC.7/Res.1. This Business Plan grouped the activities of UNIDO into two areas of concentration:

(a) Strengthening industrial capacities, including programmes in support of the global forum function and policy advice; and

(b) Cleaner and sustainable industrial development.

In addition, while maintaining the universal character and vocation of UNIDO, the Business Plan provided for the Organization's activities to be focused geographically on least developed countries, in particular in Africa; sectorally on agro-based industries; and thematically on small and medium enterprises (SMEs).

3. The validity of the Business Plan as a basis for the organizational and programmatic transformation of UNIDO continues to be recognized by Member States,

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as was most recently reaffirmed by the General Conference in resolution GC.9/Res.2 on the MTPF for 2002-2005.

4. In accordance with the Business Plan and the MTPF for 2002-2005, UNIDO has consolidated the range of services it offers into eight service modules:

(a) Industrial governance and statistics;

(b) Investment and technology promotion;

(c) Quality and productivity;

(d) Small business development;

(e) Agro-industries;

(f) Industrial energy and Kyoto Protocol;

(g) Montreal Protocol;

(h) Environment management.

5. UNIDO uses two vehicles for providing these services:

(a) Integrated programmes (IPs) or country service frameworks (CSFs), where a selection of service modules is employed in a coherent and mutually reinforcing manner to assist client countries in overcoming their critical industrial development problems;

(b) Stand-alone projects involving only one or two service modules.

II. PROPOSALS FOR THE MTPF 2004-2007

6. The MTPF for 2004-2007 is expected to maintain a broad continuity with the current MTPF for 2002-2005. This continuity will be facilitated by the overlap of the two framework periods in the biennium 2004-2005, and by the expectation that the MTPF for 2004-2007 will continue to adhere, in general terms, to the objectives and priorities laid out in the Business Plan.

7. At the same time, some significant adjustments in the range of services offered by UNIDO and the manner in which they are provided will be inevitable in view of the dynamic nature of international development issues and the need for UNIDO to remain responsive to the changing industrial development requirements of its client countries. This need for UNIDO to adapt its functions and priorities to the new realities of the changing global economic environment has also been acknowledged in General Conference resolution GC.9/Res.2.

8. In this context, UNIDO is currently seeking ways to refine both the substantive content of its support services for industrial development in developing countries and countries with economies in transition, and the manner in which they are applied. The substantive changes will seek to take account of shifts in demand for UNIDO services, as given in the Millennium Declaration Goals (MDGs), for example, or as determined through ongoing consultations with Member States. The procedural and methodological changes, meanwhile, will be aimed at drawing the appropriate conclusions from the experience of the recent past with a view to improving the provision of UNIDO's services in terms of coverage, efficiency and effectiveness. While these efforts are expected to be concluded in the current 2002-2003 biennium, and at least some of the resulting measures to be introduced by the end of 2003, these developments will set the parameters for the changes to be introduced in the MTPF for 2004-2007.

9. With regard to the substantive changes, a proposal was submitted by the Government of Japan at the twenty-fifth session of the Industrial Development Board (IDB.25/CRP.8). This proposal is based on the hypothesis of the Japanese Government that, in order to fulfil its role effectively, UNIDO needs to evaluate the achievements of the Business Plan and to develop a strategy for adopting a more clearly focused set of technical cooperation activities in conformity with the Business Plan and the MTPF for 2002-2005. Against this background, the Japanese delegation to the twenty-fifth session of the Board presented an "Outline of a UNIDO Strategy Paper" indicating specific areas on which UNIDO should focus its technical cooperation activities and enumerating a number of points that should be considered in UNIDO's delivery of technical cooperation. This proposal is intended to form the basis of intersessional consultations with other Member States and the UNIDO Secretariat leading to the finalization of a strategy paper for the Organization for submission to the twenty-sixth session of the Industrial Development Board in November 2002. These consultations, and the resulting strategy paper, will no doubt have an impact on the formulation of the MTPF for 2004-2007.

10. With regard to the methods of delivery of its technical cooperation services, UNIDO is in the process of developing a set of thematic initiatives to supplement the existing modalities of integrated programmes, country service frameworks and stand-alone projects. These initiatives are intended to provide specialized assistance to developing countries and countries with economies in transition in meeting particularly pressing development needs in line with the international development agenda and UNIDO's comparative advantages in the field of industrial development. One such initiative, to facilitate access to international markets for these countries by helping them to meet quality and standards requirements and overcome other technical barriers to trade, has already been launched.

Several other initiatives—dealing with rural energy, sustainable business linkages, product innovation, food security, post-crisis rehabilitation, biotechnology and technology foresight—are currently under consideration. After due evaluation, the most promising of these are expected to be introduced by the end of 2002.

11. The resources required for the implementation of the medium-term framework 2004-2007 will have to be determined in conjunction with the finalization of its substantive content.

III. ACTION REQUIRED OF THE COMMITTEE

12. The Committee may wish to take note of the present document.

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Industrial Development Board

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Programme and Budget Committee

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FINANCIAL SITUATION OF UNIDO

Report by the Director-General

Provides information as at 31 July 2002, thereby updating the report on the financial situation as at 31 March 2002 submitted to the Board at its twenty-fifth session (IDB.25/6).

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I. OVERVIEW

1. The financial situation as at 31 July 2002 can be summarized in the following major points:

(a) The regular budget is being implemented with an initial allocation of 97 per cent of the 2002 appropriations. The expenditure for the first seven months amounted to 56.7 per cent of the 2002 appropriations as compared with 55.1 per cent during 2000, the first year of the previous biennium;

(b) The operational budget recorded a surplus of €0.7 million during the first seven months of 2002; therefore the level of the operational budget increased from €3.3 million as at 1 January 2002 to €4.0 million as at 31 July 2002;

(c) The expenditure level for Buildings Management for the first seven months amounted to about 50 per cent of the 2002 appropriations, which is slightly lower than that for the same period of 2000 (54.6 per cent);

(d) The level of regular budget cash resources (including the Working Capital Fund) was €50.3 million. As compared to this, the cash balance as at 31 July 2001 and 2000 was €19.2 million and €24.6 million, respectively;

(e) The collection rate of 2002 assessed contributions was 87.6 per cent—the highest for the same period since UNIDO became a specialized agency. In comparison, the collection rates in July 2001 and 2000 were 60.1 and 74.2 per cent, respectively;

(f) The collection rate of prior years' arrears, as compared to the current year's assessments, was 4.5 per cent. The rates as at 31 July 2001 and 2000, as compared to the assessments of those years, were 17 and 8.2 per cent, respectively;

(g) Outstanding contributions amounted to €116.4 million, as shown in annex I to the present document (including arrears of €69.3 million by the United States of America, and €2.1 million by the former Yugoslavia). The outstanding amounts as at 31 July 2001 and 2000 were €132.4 million and €128.0 million, respectively (for comparison revalued at the December 2001 United Nations rate of exchange, US$ 1 = €1.123 (GC.9/Dec.15));

(h) The Working Capital Fund was at the level of €7,423,030; however, an amount of €138,901 was outstanding as at 31 July 2002;

(i) Unencumbered balances of appropriations, income from new Member States, and interest income in excess of budgetary estimates (total amount €7,195,414): A number of Member States have not yet informed the Secretariat on the disposition of their shares arising from the implementation of General Conference decision GC.9/Dec.10, which amount to €840,818 (details are provided in annex II).

II. REGULAR AND OPERATIONAL BUDGETS, 2002-2003

2. As stated in document IDB.25/6, the implementation of the approved programme and budgets commenced as planned.

3. Regular budget expenditures during the period 1 January to 31 July 2002 amounted to €38.7 million. This amount corresponds to 56.7 per cent of the total appropriation for 2002 and is comparable with the first

year (i.e. 2000) of the preceding biennium of 55.1 per cent. The current value represents a smooth budget implementation with a lesser risk of delaying or non-implementing approved programmes.

4. Expenditures/delivery of technical cooperation activities as of 31 July 2002 amounted to $57.6 million. As compared to this, delivery as of 31 July 2001 and 2000 was $60.7 and $46.8 million respectively. As can be seen, delivery in 2002 is higher by some $11 million as compared to the first year of the previous biennium; however, it is about $3 million lower than that of the second year of the previous biennium. This is attributable to the traditionally lower delivery of the Regular Programme for Technical Cooperation (RPTC) in the first year of a biennium due to the need to carefully programme these resources. However, with the establishment of a special account for RPTC in the current year, it is expected that such a situation will be largely addressed and that delivery of such resources in future years will be more even over the biennium. Every effort is being made to achieve the current year delivery target of some $90 million.

5. Operational budget income from support cost earned from technical cooperation delivery amounted to €7.2 million ($6.6 million) for the first seven months of 2002. Expenditure for the same period amounted to €6.5 million, leading to a surplus of €0.7 million during the first seven months of 2002. Therefore, the level of the operational budget reserve increased from €3.3 million as at 1 January 2002 to €4.0 million as at 31 July 2002.

6. The Buildings Management budget is also being implemented smoothly. Expenditure for the period 1 January to 31 July 2002 amounted to €17.9 million, which represents some 50 per cent of the 2002 appropriations. As compared to this, expenditure in 2000—the first year of the previous biennium—amounted to some 54 per cent of the appropriations of that year.

III. ASSESSED CONTRIBUTIONS

A. Collections

7. A total of 58 Member States, including five least developed countries (LDCs), have made full payments and 19 Member States, four of which are LDCs, have made partial payments of their assessed contributions for the year 2002. The collections in the period from January to July 2002, broken down by Lists of States, are shown in table 1.

Table 1. Collections, January-July 2002
(In millions of euros)

*Lists of States**	*Current year*	*Prior years*	*Total*
A	4.4	1.2	5.6
B	51.7	0.8	52.5
C	0.7	0.4	1.1
D	1.8	0.6	2.4
Others	0.0	0.0	0.0
USA	0.0	0.0	0.0
Total	**58.6**	**3.0**	**61.6**

* As contained in document GC.9/16.

B. Outstanding contributions

8. The detailed status of assessed contributions outstanding as at 31 July 2002 is contained in annex I to the present document. The scale of assessment and outstanding contributions as at 31 July 2002, broken down by Lists of States, are shown in table 2.

Table 2. Scale of assessment and outstanding contributions as at 31 July 2002

		(Millions of euros)		
*Lists of States**	*Scale of assessment (%)*	*Current year*	*Prior years*	*Total*
A	10.702	2.79	4.14	6.93
B	78.573	0.86	0.00	0.86
C	7.618	4.36	16.14	20.50
D	3.102	0.27	15.98	16.25
Others	0.005	0.00	0.48	0.48
Subtotal	100.00	8.28	36.74	45.02
USA		0.00	69.26	69.26
Yugoslavia (former)		0.00	2.08	2.08
Total	**100%**	**8.28**	**108.08**	**116.36**

* As contained in document GC.9/16.

9. As stated in document IDB.25/6, the Secretariat is closely following developments at the United Nations General Assembly regarding the arrears of the former Yugoslavia. Any decision in this respect taken by the General Assembly will be conveyed to the UNIDO governing bodies for consideration.

IV. VOTING RIGHTS

10. As indicated in annex I to the present document, the voting rights of 53 Member States had been suspended as at 31 July 2002 in accordance with Article 5.2 of the Constitution and financial regulation 5.5(b), as shown in table 3.

Table 3. Suspension of voting rights, as at 31 July 2002

	Number of Member States		
Members of	*2002*	*2001*	*2000*
General Conference	53	58	63
Industrial Development Board	1	1	5
Programme and Budget Committee	1	1	3

11. In order to restore their voting rights for the remainder of 2002, these Member States must pay their full contributions for 1999 and prior years, including advances to the Working Capital Fund, as well as a partial contribution for 2000. The minimum total amount that would have to be paid by these Member States is €21,838,380.

V. IMPLEMENTATION OF RECOMMENDATIONS OF GROUP ON TIMELY PAYMENTS

12. There have been no significant developments since the issuance of document IDB.25/6, except for continued discussions on a proposed payment plan for Azerbaijan, as authorized by the Board at its twenty-fifth session (IDB.25/Dec.6). Negotiations commenced with Azerbaijan in early June 2002 and a report will be issued to the Board at its twenty-sixth session.

VI. UNENCUMBERED BALANCES OF APPROPRIATIONS, INCOME FROM NEW MEMBER STATES AND INTEREST INCOME IN EXCESS OF BUDGETARY ESTIMATES

13. Detailed information on the unencumbered balances of appropriations, income from new Member States and interest income in excess of budgetary estimates was provided in document IDB.25/6. The status as of 31 July 2002 is shown in annex II. A summary is provided in table 4.

Table 4. Implementation of decision GC.9/Dec.10 Status as at 31 July 2002 (summary)

	€
Total amount available	7,195,414
Preference stated by Member States:	
Regular budget	186,481
IDF general-purpose	929,692
IDF special-purpose/integrated programme	2,320,340
Application against assessed contributions	2,787,902
Return as well as other purpose	130,181
Total	6,354,596
Responses still outstanding	840,818

VII. IMPLEMENTATION OF NEW FINANCIAL SYSTEM

14. As reported in various documents, including IDB.25/6, and commented upon by the External Auditor in his report (PBC.18/3-IDB.26/2), one of the biggest challenges for UNIDO's financial management in 2000-2001 was the implementation of the new financial performance control system (FPCS). The new system was implemented within a very short time frame in view of the need to have the system fully operational before the introduction of the euro with effect from 1 January 2002, as well as within the limited staff and financial resources available. The total implementation costs amounted to only $1.7 million, as confirmed by the Auditor. The External Auditor was also regularly involved in the process and provided necessary assistance and guidance.

15. UNIDO has, therefore, successfully implemented the first phase of the new financial system; attention will now be given to other requirements. As stated in document IDB.25/6, since 1 January 2002 UNIDO has been using FPCS as the sole system for all accounting transactions. Work continues internally in the area of designing and developing various reports based on transaction data captured by the new system, linking FPCS to existing executive management systems, and on finding solutions to the requirement to continue accounting and reporting for technical cooperation activities in United States dollars, whereas the base currency is now the euro. The system has been rolled out to the staff involved in financial operations and programme/project management following intensive internal training.

VIII. TRANSITION TO A SINGLE CURRENCY SYSTEM (EURO)

16. As reported in documents IDB.25/6 and IDB.25/CRP.3, a single currency system of assessment based on the euro became effective with the current fiscal period 2002-2003, and UNIDO took all necessary steps to ensure its smooth implementation. Document IDB.26/4-PBC.18/5 provides detailed information on this subject. In addition, a conference room paper containing the updated Financial Regulations of UNIDO reflecting the decisions taken by the General Conference for the introduction of the euro was issued to the Board at its twenty-fifth session (IDB.25/CRP.4).

IX. ACTION REQUIRED OF THE COMMITTEE

17. The Committee may wish to consider recommending to the Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of the information provided in document IDB.26/9-PBC.18/10;

"(b) Also takes note of the information contained in chapter VI and annex II of that document on the implementation of General Conference decision GC.9/Dec.10;

"(c) Urges those Member States and former Member States that have not yet paid their assessed contributions, including advances to the Working Capital Fund and prior years' arrears, to do so without delay;

"(d) Requests the Director-General to pursue his efforts and contacts with Member States to effect the collection of arrears."

Annex I

STATUS OF ASSESSED CONTRIBUTIONS TO THE UNIDO REGULAR BUDGET

As at 31 July 2002 (in euros)

Country	*Outstanding assessed contributions*	*WCF*	*Total due*	*Years*	*Voting rights* [a]	*Minimum payment to gain voting rights*
Afghanistan	83,462	446	83,908	1992(p) - 2002	**No**	72,220
Albania	5,165	-	5,165	2001 - 2002	Yes	
Algeria	-		0	-	Yes	
Angola	53		53	2002 (p)	Yes	
Argentina	3,600,362	1,411	3,601,773	1999(p) - 2002	**No**	440,550
Armenia	912,782		912,782	1992(p) - 2002	**No**	899,320
Austria	-	-	0	-	Yes	
Azerbaijan	1,269,247		1,269,247	1993(p) - 2002	**No**	1,245,410
Bahamas	-	-	0	-	Yes	
Bahrain	-	-	0	-	Yes	
Bangladesh	-	-	0	-	Yes	
Barbados	-	-	0	-	Yes	
Belarus	507,431		507,431	1998(p) - 2002	**No**	381,800
Belgium	-		0	-	Yes	
Belize	-	-	0	-	Yes	
Benin	5,168	-	5,168	2000(p) - 2002	Yes	
Bhutan	-	-	0	-	Yes	
Bolivia	7,353	75	7,428	2002	Yes	
Bosnia and Herzegovina	218,246		218,246	1992(p) - 2002	**No**	206,020
Botswana	-		0	-	Yes	
Brazil	14,373,466	59,608	14,433,074	1995(p) - 2002	**No**	9,721,560
Bulgaria	-	-	0	-	Yes	
Burkina Faso	1,059	-	1,059	2002	Yes	
Burundi	65,703	-	65,703	1993(p) - 2002	**No**	63,900
Cambodia	2,005	149	2,154	2002	Yes	
Cameroon	39,016		39,016	1999(p) - 2002	**No**	6,630
Cape Verde	95,456		95,456	1991(p) - 2002	**No**	91,070
Central African Republic	110,813	-	110,813	1989(p) - 2002	**No**	109,010
Chad	93,920	-	93,920	1991(p) - 2002	**No**	92,120
Chile	161,145		161,145	2002 (p)	Yes	
China	1,412,099	53,891	1,465,990	2002	Yes	
Colombia	146,964		146,964	2002 (p)	Yes	
Comoros	133,992	-	133,992	1986(p) - 2002	**No**	132,190
Congo	108,698		108,698	1989(p) - 2002	**No**	103,020
Costa Rica	100,389	-	100,389	1994(p) - 2002	**No**	51,520
Côte d'Ivoire	24,638	-	24,638	2000(p) - 2002	Yes	
Croatia	-	-	0	-	Yes	
Cuba	*19,245*		*19,245*	*2002 (p)*	*Yes*	
Cyprus	-	-	0	-	Yes	

Country	*Outstanding assessed contributions*	*WCF*	*Total due*	*Years*	*Voting rights* [a]	*Minimum payment to gain voting rights*
Czech Republic	-	-	0	-	Yes	
Democratic People's Republic of Korea	21,724		21,724	2000(p) - 2002	Yes	
Democratic Republic of the Congo	118,546		118,546	1989(p) - 2002	**No**	102,450
Denmark	-	-	0	-	Yes	
Djibouti	92,898	-	92,898	1991(p) - 2002	**No**	91,090
Dominica	1,085	-	1,085	2001 - 2002	Yes	
Dominican Republic	329,813	2,198	332,011	1986 - 2002	**No**	283,050
Ecuador	-	-	0	-	Yes	
Egypt	-	-	0	-	Yes	
El Salvador	158,997	1,838	160,835	1988 - 2002	**No**	121,050
Equatorial Guinea	133,992	-	133,992	1986(p) - 2002	**No**	132,190
Eritrea	668	-	668	2002	Yes	
Ethiopia	-	-	0	-	Yes	
Fiji	12,751	-	12,751	1999(p) - 2002	**No**	1,820
Finland	-		0	-	Yes	
France	-	-	0	-	Yes	
Gabon	25,929		25,929	2001(p) - 2002	Yes	
Gambia	75,377	-	75,377	1992(p) - 2002	**No**	73,570
Georgia	1,594,398		1,594,398	1992(p) - 2002	**No**	1,576,970
Germany	-		0	-	Yes	
Ghana	14,589		14,589	2000(p) - 2002	Yes	
Greece	-	-	0	-	Yes	
Grenada	87,276	-	87,276	1991(p) - 2002	**No**	85,470
Guatemala	-	-	0	-	Yes	
Guinea	18,913	-	18,913	1998(p) - 2002	**No**	11,230
Guinea-Bissau	116,123	-	116,123	1988(p) - 2002	**No**	114,320
Guyana	1,223	-	1,223	2001 - 2002	Yes	
Haiti	1,938	-	1,938	2002 (p)	Yes	
Honduras	640	-	640	2002 (p)	Yes	
Hungary	-	-	0	-	Yes	
India	-		0	-	Yes	
Indonesia	-	-	0	-	Yes	
Iran (Islamic Republic of)	464,769		464,769	2000(p) - 2002	Yes	
Iraq	1,573,536	7,274	1,580,810	1991(p) - 2002	**No**	1,428,060
Ireland	-	-	0	-	Yes	
Israel	361,895		361,895	2002 (p)	Yes	
Italy	-	-	0	-	Yes	
Jamaica	8,303		8,303	2001 - 2002	Yes	
Japan	-		0	-	Yes	
Jordan	-	-	0	-	Yes	
Kazakhstan	572,565		572,565	1997(p) - 2002	**No**	454,690
Kenya	15,591	75	15,666	2000(p) - 2002	Yes	

Country	*Outstanding assessed contributions*	*WCF*	*Total due*	*Years*	*Voting rights* [a]	*Minimum payment to gain voting rights*
Kuwait	-	-	0	-	Yes	
Kyrgyzstan	375,111		375,111	1993 - 2002	**No**	362,980
Lao People's Democratic Republic	-	-	0	-	Yes	
Lebanon	9,944		9,944	2002 (p)	Yes	
Lesotho	3,168		3,168	2000(p) - 2002	Yes	
Liberia	105,319		105,319	1990(p) - 2002	**No**	100,930
Libyan Arab Jamahiriya	132,253		132,253	2001(p) - 2002	Yes	
Lithuania	419,152	-	419,152	1995(p) - 2002	**No**	375,540
Luxembourg	-	-	0	-	Yes	
Madagascar	2,605	-	2,605	2002 (p)	Yes	
Malawi	36,213	-	36,213	1996(p) - 2002	**No**	30,490
Malaysia	-	-	0	-	Yes	
Maldives	1,689	-	1,689	2000(p) - 2002	Yes	
Mali	17,180	-	17,180	1998(p) - 2002	**No**	11,460
Malta	-	-	0	-	Yes	
Mauritania	113,317	-	113,317	1988(p) - 2002	**No**	111,510
Mauritius	-	-	0	-	Yes	
Mexico	611,077		611,077	2002 (p)	Yes	
Mongolia	520		520	2002 (p)	Yes	
Morocco	38,876		38,876	2002	Yes	
Mozambique	466	-	466	2002 (p)	Yes	
Myanmar	14,997		14,997	2000(p) - 2002	Yes	
Namibia	6,684	-	6,684	2002	Yes	
Nepal	3,183	-	3,183	2002 (p)	Yes	
Netherlands	-	-	0	-	Yes	
New Zealand	-	-	0	-	Yes	
Nicaragua	133,978	-	133,978	1986(p) - 2002	**No**	132,170
Niger	95,491		95,491	1991(p) - 2002	**No**	91,110
Nigeria	49,547		49,547	2002 (p)	Yes	
Norway	-	-	0	-	Yes	
Oman	-	-	0	-	Yes	
Pakistan	46,459	-	46,459	2002 (p)	Yes	
Panama	33,601	-	33,601	2000(p) - 2002	Yes	
Papua New Guinea	-	-	0	-	Yes	
Paraguay	49,014	803	49,817	1998(p) - 2002	**No**	8,160
Peru	189,729		189,729	2001(p) - 2002	Yes	
Philippines	85,032		85,032	2002 (p)	Yes	
Poland	-	-	0	-	Yes	
Portugal	442,015	-	442,015	2002 (p)	Yes	
Qatar	35,190		35,190	2001(p) - 2002	Yes	
Republic of Korea	-	-	0	-	Yes	
Republic of Moldova	870,888		870,888	1993(p) - 2002	**No**	849,680
Romania	54,145	74	54,219	2002	Yes	

Country	*Outstanding assessed contributions*	*WCF*	*Total due*	*Years*	*Voting rights* [a]	*Minimum payment to gain voting rights*
Russian Federation	-	-	0	-	Yes	
Rwanda	8,598	-	8,598	1999(p) - 2002	**No**	6,790
Saint Kitts and Nevis	-		0	-	Yes	
Saint Lucia	2,005	149	2,154	2002	Yes	
Saint Vincent and the Grenadines	110,283	-	110,283	1989(p) - 2002	**No**	108,480
Sao Tome and Principe	133,992	-	133,992	1986(p) - 2002	**No**	132,190
Saudi Arabia	-	-	0	-	Yes	
Senegal	4,428		4,428	2002	Yes	
Seychelles	43,847	-	43,847	1995(p) - 2002	**No**	38,120
Sierra Leone	90,566	-	90,566	1991(p) - 2002	**No**	88,760
Slovakia	-	-	0	-	Yes	
Slovenia	257,917	1,855	259,772	1999(p) - 2002	**No**	69,920
Somalia	133,991	-	133,991	1986(p) - 2002	**No**	132,190
South Africa	-	-	0	-	**Yes**	
Spain	-		0	-	Yes	
Sri Lanka	14,706	371	15,077	2002	Yes	
Sudan	10,971		10,971	2001(p) - 2002	Yes	
Suriname	39,550		39,550	1996(p) - 2002	**No**	29,960
Swaziland	-	-	0	-	Yes	
Sweden	-	-	0	-	Yes	
Switzerland	-		0	-	Yes	
Syrian Arab Republic	-	-	0	-	Yes	
Tajikistan	276,738		276,738	1993(p) - 2002	**No**	268,480
Thailand	231,283	8,165	239,448	2002	Yes	
The former Yugoslav Republic of Macedonia	12,991	222	13,213	2000(p) - 2002	Yes	
Togo	71,810	-	71,810	1993(p) - 2002	**No**	70,010
Tonga	1,238	-	1,238	2001(p) - 2002	Yes	
Trinidad and Tobago	56,088		56,088	1999(p) - 2002	**No**	10,560
Tunisia	1,101	-	1,101	2002 (p)	Yes	
Turkey	417,367	-	417,367	2002 (p)	Yes	
Turkmenistan	204,966	297	205,263	1995 - 2002	**No**	191,130
Uganda	-	-	0	-	Yes	
Ukraine	8,707,168		8,707,168	1995(p) - 2002	[b]	
United Arab Emirates	-	-	0	-	Yes	
United Kingdom	-	-	0	-	Yes	
United Republic of Tanzania	3,377	-	3,377	2001(p) - 2002	Yes	
Uruguay	131,814		131,814	2000(p) - 2002	Yes	
Uzbekistan	459,359		459,359	1997(p) - 2002	**No**	401,740
Vanuatu	77,679	-	77,679	1992(p) - 2002	**No**	75,880
Venezuela	146,279	-	146,279	2002 (p)	Yes	
Viet Nam	-	-	0	-	Yes	
Yemen	18,889		18,889	2000(p) - 2002	Yes	

Country	*Outstanding assessed contributions*	*WCF*	*Total due*	*Years*	*Voting rights* [a]	*Minimum payment to gain voting rights*
Yugoslavia (new)	-	-	0	-	Yes	
Zambia	53,563	-	53,563	1994(p) - 2002	**No**	47,840
Zimbabwe	15,846		15,846	2000(p) - 2002	Yes	
Subtotal:	**45,016,669**	**138,901**	**45,155,570**			**21,838,380**
Yugoslavia (former)	2,082,070		2,082,070	1990(p) - 2001	[c]	
Non-Member:	-					
United States of America [d]	69,264,731	0	69,264,731	1994(p)-1996		
TOTAL	**116,363,470**	**138,901**	**116,502,371**			**21,838,380**

Summary of outstanding assessed contributions by year:	**EUROS**
1986 / 87	103,890
1988 / 89	192,280
1990 / 91	1,298,947
1992 / 93	2,274,929
1994 / 95	48,232,156
1996 / 97	40,325,615
1998 / 99	8,920,849
2000 / 01	6,735,042
Subtotal:	108,083,708
2002	8,279,762
TOTAL:	116,363,470

Notes:

1. Members of the Programme and Budget Committee without voting right: Argentina.
2. Since 31 July 2002, full or partial payments were received from the following Member States: Belarus, Cameroon, Fiji, Honduras, Mozambique, Nepal, Saint Lucia and Zimbabwe.

(p) refers to partial payment.

[a] Voting rights of 53 Member States have been suspended in accordance with Article 5.2 of the Constitution of UNIDO. Since 31 July 2002, Cameroon and Fiji have regained voting rights, reducing the total number to 51 Member States.

[b] In decision GC.9/Dec.12, the General Conference approved a payment plan for Ukraine, and also restored the voting rights of Ukraine in accordance with Article 5.2 of the Constitution.

[c] Outstanding contribution to be resolved.

[d] Member State of UNIDO until 31 December 1996.

Annex II

STATUS OF UNENCUMBERED BALANCES OF APPROPRIATIONS, INCOME FROM NEW MEMBER STATES AND INTEREST INCOME IN EXCESS OF BUDGETARY ESTIMATES (GC.9/Dec.10)

As at 31 July 2002 (in euros)

Member State	*Amount*		*RESPONSES BY MEMBER STATES*						
	Eligible	*Not eligible*	*Date received*	*Regular budget*	*IDF general-purpose*	*Special-purpose IDF/IP*	*Assessed contributions*	*Other purpose*	*Remarks*
Afghanistan	22	879							
Albania	815	-							
Algeria	14,729	-							
Angola	762	-	28-Jan		762				
Argentina	18,778	32,431							
Armenia	104	7,361	14-Feb				104		
Austria	90,213	-	22-Mar			90,213			Participation of developing countries in international trade
Azerbaijan	213	15,076							
Bahamas	1,930	-							
Bahrain	2,242	-							
Bangladesh	686	-							
Barbados	688	-							
Belarus	1,000	26,953	27-Feb				1,000		
Belgium	98,324	-	7-Mar				98,324		
Belize	663	-							
Benin	637	-							
Bhutan	632	-	27-Feb				632		
Bolivia	848	-							
Bosnia and Herzegovina	29	1,489	27-Feb				29		
Botswana	761	-							
Brazil	9,569	154,516							
Bulgaria	7,039	-	1-Mar				7,039		To be applied to 2003 contributions
Burkina Faso	898	-							

Member State	*Amount*		*RESPONSES BY MEMBER STATES*						
	Eligible	*Not eligible*	*Date received*	*Regular budget*	*IDF general-purpose*	*Special-purpose IDF/IP*	*Assessed contributions*	*Other purpose*	*Remarks*
Burundi	14	879							
Cambodia	621	-							
Cameroon	198	477							
Cape Verde	19	879							
Central African Republic	14	879							
Chad	14	879							
Chile	7,501	-	8-Mar				7,501		
China	70,045	-	2-Jan			70,045			
Colombia	9,647	-	1-Mar				9,647		
Comoros	14	879							
Congo	22	879							
Costa Rica	269	679							
Côte d'Ivoire	673	-	7-Feb			673			IP Côte d'Ivoire (technology component)
Croatia	8,297	-	26-Feb				8,297		
Cuba	4,519	-	22-Feb				4,519		
Cyprus	3,122	-	20-Feb	1,561	1,561				Regular budget and/or technical cooperation
Czech Republic	23,802	-	26-Feb			23,802			For special purpose—to be specified later
Democratic People's Republic of Korea	1,057	4,747	18-Feb			5,804			IP Democratic People's Republic of Korea (fully eligible paid 12/01)
Democratic Republic of the Congo	36	879							
Denmark	77,303	-	23-Jan					77,303	Return
Djibouti	14	879							
Dominica	820	-							
Dominican Republic	65	1,079							
Ecuador	2,173	-	25-Feb			2,173			IP Ecuador
Egypt	8,223	-	5-Apr				8,223		
El Salvador	55	879							
Equatorial Guinea	14	879							

Member State	*Amount*		*RESPONSES BY MEMBER STATES*						
	Eligible	*Not eligible*	*Date received*	*Regular budget*	*IDF general-purpose*	*Special-purpose IDF/IP*	*Assessed contributions*	*Other purpose*	*Remarks*
Eritrea	621	-							
Ethiopia	732	-	15-Feb				732		To be applied to 2003 contributions
Fiji	167	477							
Finland	65,922	-	5-Mar			65,922			Environment projects
France	617,580	-	12-Mar			617,580			IP Lao People's Democratic Republic
Gabon	712	-	1-Mar				712		
Gambia	14	879							
Georgia	199	14,877							
Germany	918,993	-	28-Feb				918,993		
Ghana	655	-	12-Apr				655		
Greece	40,527	-	19-Feb			40,527			IP Armenia (to be specified later)
Grenada	14	879							
Guatemala	1,103	1,431							
Guinea	33	679							
Guinea-Bissau	14	879							
Guyana	633	-							
Haiti	641	-							
Honduras	817	-							
Hungary	14,909	-	14-May			14,909			
India	32,206	-	27-Feb				32,206		To be applied to 2003 contributions
Indonesia	13,113	-	8-May					13,113	For other purpose—to be specified later
Iran (Islamic Republic of)	40,874	-	17-Jan				40,874		
Iraq	334	15,973							
Ireland	23,060	-	11-Feb	23,060					
Israel	25,506	-	28-Jan				25,506		
Italy	492,176	-	23-Apr			492,176			Project: Argentina industrial SMEs sector
Jamaica	668	-							
Japan	1,594,602	-			222,057		1,372,545		Credited to other Members' contributions (GC.9/Dec.10 (c))

Member State	*Amount*		*RESPONSES BY MEMBER STATES*						
	Eligible	*Not eligible*	*Date received*	*Regular budget*	*IDF general-purpose*	*Special-purpose IDF/IP*	*Assessed contributions*	*Other purpose*	*Remarks*
Jordan	728	-	9-Jul				728		
Kazakhstan	170	12,877							
Kenya	654	-							
Kuwait	19,260	-							
Kyrgyzstan	69	3,922							
Lao People's Democratic Republic	678	-							
Lebanon	210	477	4-Apr			687			IP Lebanon (fully eligible: paid 4/02)
Lesotho	639	-							
Liberia	19	879							
Libyan Arab Jamahiriya	4,670	13,354							
Lithuania	347	7,472							
Luxembourg	7,520	-	1-Mar		7,520				
Madagascar	641	-							
Malawi	30	679							
Malaysia	13,152	-	27-Feb				13,152		To be applied to 2003 contributions
Maldives	632	-							
Mali	160	477							
Malta	876	-							
Mauritania	14	879							
Mauritius	766	-	8-Aug				766		
Mexico	79,715	-	3-Mar				79,715		
Mongolia	637	-							
Morocco	2,791	-	5-Mar				2,791		
Mozambique	658	-							
Myanmar	659	-	8-Mar			659			Integrated rural development project
Namibia	677	-							
Nepal	644	-							
Netherlands	161,860	-	5-Apr	161,860					

Member State	*Amount*		*RESPONSES BY MEMBER STATES*						
	Eligible	*Not eligible*	*Date received*	*Regular budget*	*IDF general-purpose*	*Special-purpose IDF/IP*	*Assessed contributions*	*Other purpose*	*Remarks*
New Zealand	25,417	-							
Nicaragua	14	879							
Niger	19	879							
Nigeria	2,465	7,631							
Norway	59,427	-							Will inform later
Oman	4,095	-	26-Apr				4,095		To be applied to 2003 contributions
Pakistan	5,237	-	28-Feb				5,237		
Panama	686	-	17-May				686		
Papua New Guinea	47	679							
Paraguay	214	477							
Peru	5,368	-	31-Jan				5,368		
Philippines	5,603	-	28-Jan				5,603		
Poland	33,951	-	3-Mar				33,951		
Portugal	26,340	-	15-Apr			26,340			Moved from assessed contributions
Qatar	1,442	2,862							
Republic of Korea	90,183	-	25-Feb			90,183			IP for Democratic People's Republic of Korea
Republic of Moldova	164	10,478							
Romania	13,555	-							
Russian Federation	385,770	-	5-Feb			385,770			CSF 2002-2005
Rwanda	198	679	6-Mar			400			IP Rwanda—partial payment received 4/02
Saint Kitts and Nevis	25	679	28-Feb				704		Eligible for full amount/paid 12/01
Saint Lucia	632	-							
Saint Vincent and the Grenadines	14	879							
Sao Tome and Principe	14	879							
Saudi Arabia	64,759	-	24-Jul				64,759		To be applied to 2003 contributions
Senegal	652	-							
Seychelles	30	679							
Sierra Leone	14	879							

Member State	*Amount*		*RESPONSES BY MEMBER STATES*						
	Eligible	*Not eligible*	*Date received*	*Regular budget*	*IDF general-purpose*	*Special-purpose IDF/IP*	*Assessed contributions*	*Other purpose*	*Remarks*
Slovakia	7,846	-	17-Mar				7,846		To be applied to 2003 contributions
Slovenia	1,730	4,769							
Somalia	14	879							
South Africa	-								
Spain	254,519	-	28-Feb			254,519			To be specified later
Sri Lanka	813	-							
Sudan	665	-	28-Feb				665		
Suriname	37	679							
Swaziland	661	-	14-Mar				661		To be applied to 2003 contributions
Sweden	125,232	-	13-May			125,232			IP Palestine
Switzerland	129,274	-	1-Mar		129,274				
Syrian Arab Republic	5,777	-							
Tajikistan	49	3,036							
Thailand	12,726	-	3-Mar			12,726			IP Thailand (3 specific projects)
The former Yugoslav Republic of Macedonia	655	-							
Togo	14	879							
Tonga	664	-							
Trinidad and Tobago	682	1,908							
Tunisia	2,729	-							
Turkey	36,336	-	14-Feb					36,336	Local UNIDO Office
Turkmenistan	69	2,720							
Uganda	37	679							
Ukraine	3,745	104,139	21-Mar				3,745		
United Arab Emirates	19,133	-	12-Mar				19,133		
United Kingdom	568,518	-	22-Apr		568,518				
United Republic of Tanzania	22	879							
Uruguay	3,922	-							

Member State	*Amount*		*RESPONSES BY MEMBER STATES*						
	Eligible	*Not eligible*	*Date received*	*Regular budget*	*IDF general-purpose*	*Special-purpose IDF/IP*	*Assessed contributions*	*Other purpose*	*Remarks*
Uzbekistan	298	12,225							
Vanuatu	14	879							
Venezuela	30,477	-							
Viet Nam	759	-	20-Feb				759		
Yemen	911	-							
Yugoslavia (former)	254	12,304							
Yugoslavia (new)	-								
Zambia	30	679							
Zimbabwe	661	-							
Subtotal	**6,591,443**	**506,765**		**186,481**	**929,692**	**2,320,340**	**2,787,902**	**126,752**	
Former Member States									
Australia	30,796								
Canada	3,429		22-Mar					3,429	Return
United States of America	27,736	35,245							
TOTAL	**6,653,404**	**542,010**		**186,481**	**929,692**	**2,320,340**	**2,787,902**	**130,181**	
Total amount:	*7,195,414*								
Replies received:	*6,354,596*								
Responses due:	*840,818*								